

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Charter Township of Clayton</b>	County <b>Genesee</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>4/1/05</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

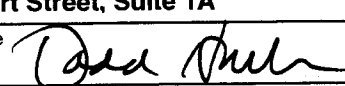
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>BKR Dupuis &amp; Ryden</b>			
Street Address <b>111 East Court Street, Suite 1A</b>	City <b>Flint</b>	State <b>MI</b>	ZIP <b>48502</b>
Accountant Signature  <b>CPA</b>		Date <b>6/29/05</b>	

**Financial Statements**

**Charter Township of Clayton  
Genesee County, Michigan**

**Fiscal Year Ended December 31, 2004**

**Charter Township of Clayton**  
**Financial Statements**  
**For the Fiscal Year Ended December 31, 2004**

**Table of Contents**

	<u>Page</u>
List of Elected, Civil Service, and Appointed Officials.....	1
Report of Independent Auditors.....	2-3
Management's Discussion and Analysis .....	4-8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	9
Statement of Activities.....	10-11
Fund Financial Statements:	
Balance Sheet Governmental Funds .....	12-13
Reconciliation of the Fund Balance as Reported in the Governmental Balance Sheet to the Statement of Net Assets .....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund .....	15-16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds to the Statement of Activities.....	17
Statement of Net Assets - Proprietary Funds .....	18
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds.....	19
Statement of Cash Flows - Proprietary Funds .....	20
Statement of Net Assets - Fiduciary Funds.....	21
Notes to Basic Financial Statements .....	22-36

**Charter Township of Clayton  
Financial Statements  
For the Fiscal Year Ended December 31, 2004**

**Table of Contents (continued)**

	<u>Page</u>
 Required Supplementary Information Section:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General, Police, and Sanitation Funds.....	37-39
 Supplemental Section:	
Fund Descriptions.....	40
 Combining Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds .....	41
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds.....	42
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) Special Revenue Funds.....	43
Combining Balance Sheet – Fiduciary Funds.....	44
Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	45

**Charter Township of Clayton  
Genesee County, Michigan  
List of Elected, Civil and Appointed Officials  
December 31, 2004**

Roderick J. Shumaker, Supervisor

Sally A. Lurvey, Clerk

Beth Perkins, Treasurer

Greg Childers, Trustee

Glenn W. Huffman, Trustee

Roger L. Meier, Trustee

John Sayer, Trustee

*Report of Independent Auditors*

The Honorable Members  
of the Township Board of the  
Charter Township of Clayton  
Genesee County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Clayton, Michigan (Township) as of December 31, 2004, and for the year then ended, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note IB, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2004.

In our opinion, the financial statements referred to in the first paragraph, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Clayton, Michigan at December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 8 and the information in the required supplementary information section on pages 37 through 39 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Township's basic financial statements. The supplemental section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects to the basic financial statements taken as a whole.

*BKR Dymus & Ryden*

Certified Public Accountants  
Flint, Michigan

April 1, 2005

## **Management's Discussion and Analysis**



## **Charter Township of Clayton Management's Discussion and Analysis**

This section of the Clayton Township annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on December 31, 2004. Please read it in conjunction with the Township's financial statements, which follow this section.

### **First Year - Governmental Accounting Standards Board Statement No. 34**

Clayton Township is implementing the new Governmental Accounting Standards Board Statement No. 34 reporting requirement for the first time this year. Known as GASB 34, the new reporting requirement includes this letter, which should provide a comparative analysis between the current-year and prior-year financial information. However, as this is the first year Clayton Township is implementing GASB 34, the prior-year financial information is not available in the GASB 34 format. The Governmental Accounting Standards Board has recognized this problem, and does not require Clayton Township to restate prior-year financial information for the purposes of providing comparative data in the first year of implementation. Clayton Township will present a comparative analysis of government-wide data in future years when prior-year information is available. The following information presents a comparative analysis of key elements of the total governmental funds and the total enterprise funds.

### **Financial Highlights**

- The Township's Total Net Assets are \$5.5 million at December 31, 2004. Unrestricted net assets were \$2.76 million.
- During the year, the Township's expenditures were \$123,911 more than the \$1,544,962 generated in taxes and other revenues for all governmental funds combined.
- General Fund revenues exceeded expenditures by \$85,256. Transfers to other funds amounting to \$124,071 were made leaving an overall reduction in fund balance of \$38,815. The year-end fund balance of \$937,052 represents approximately twelve months of expenditures.

### **Overview of the Financial Statements**

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, fund financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide statements.
- The governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short and long-term financial information about the sewer and water system that the government operates like a business.
- Fiduciary fund statements provide information about the financial relationships where the Township acts as an agent, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Individual fund statements for the agency funds are the final statements presented.

Table 1 summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Table 1 Major Features of Clayton Township's  
Government-wide and Fund Financial Statements  
Fund Statements**

<b>Type of Statements</b>	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire Township government (except fiduciary funds)	The activities of the Township that are not proprietary or fiduciary, such as police, fire, and parks	Activities the Township operates similar to private businesses: the sewer system	Instances in which the Township is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Agency funds statement of assets and liabilities</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the Township's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	Increases and decreases to assets and liabilities

## **Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets – the difference between the Township's assets and liabilities – is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements of the Township are divided into two categories:

- Governmental activities – Most of the Township's basic services are included here, such as the police, fire, public service, sanitation, and general government. Property taxes, customer assessments, charges for services, and state shared revenues finance most of these activities.
- Business-type activities – The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water system is the only business-type activity.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's most significant funds – not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

- Governmental funds – Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between the two sets of statements. The Township has six governmental funds: the General Fund, the Police Fund, the Sanitation Fund, which are major funds and three other non-major funds (Lighting Districts, Debt service, and Capital Projects-Revolving Improvement Fund).
- Proprietary funds – Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. The Township has one proprietary fund, the Sewer and Water Enterprise Fund.

- Fiduciary funds – The Township is the fiduciary, for assets held on the behalf of others. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate agency fund balance sheet. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

## **Financial Analysis of the Township as a Whole**

### **Net assets**

The Township's governmental activities net assets are \$2.035 million. The unrestricted governmental activities net assets are \$1.253 million. Business-type activities net assets are \$3.48 million with \$1.975 million being invested in capital assets net of related debt, and \$1.5 million unrestricted.

### **Governmental Activities**

#### **General Fund:**

The Township's General Fund revenues were \$951,655 this year. Property taxes were \$171,678 or 18% of the total revenues. State revenue sharing made up \$511,226 or 54% of the total revenue. The remaining 28% of General Fund revenues are comprised mostly of Charges for Services, Licenses and permits, and Interest Revenue.

As the Township completed the year, its General Fund reported a fund balance of \$937,052 which was a decrease of \$38,815 from the prior year.

#### **Other Governmental Funds:**

Other governmental funds total revenues were \$593,000 with customer assessments for police services, sanitation services, street lighting \$494,000. Total expenditures were \$802,000. Transfers from General fund and the Sewer and Water Fund amounted to \$124,071 and \$34,865, respectively.

### **Business-Type Activities**

Operating revenues of the Township's business-type activities increased \$11,361 from the prior year of \$527,963 to the current year total of \$539,324. Operating expenses increased by \$41,016 to stand at \$510,015. The major factor contributing to the increase was a two-year catch-up expense of hydrant and sewer system rental fees of \$26,566. Net changes from non-operating activities increased from net revenue of \$102,729 to a net revenue of \$840,751, due primarily to a settlement contribution of \$500,000 for the West trunk expansion, a \$250,000 tap in project prepayment, and normal tap ins of \$87,502.

### **Capital Assets**

At the end of 2004, the Township had invested \$2.406 million in capital assets, net of related debt. This amount complies with methods established by the Governmental Accounting Standards Board (GASB) for the first year of implementation of GASB Statement 34. Capital assets as stated in this annual financial report do not include some prior year infrastructure items such as sidewalks and streets. Financial reporting in past years has not required some infrastructure items to be included with capital assets. Recognizing the problem of having municipalities reconstruct all of the required information, GASB has allowed smaller units of government like Clayton Township to report infrastructure assets on a prospective basis after adopting the new reporting standard.

### **Long-term Debt**

At year-end the Township had \$101,252 in governmental long-term debt. The final installment of the long-term Contracts with Genesee County for Sewer and Water system improvements was paid during 2004.

### **Contacting the Township's Financial Administration**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Clayton Township Office at 2011 S. Morrish Road, Swartz Creek, Michigan.

## **Basic Financial Statements**

## **Government-wide Financial Statements**

**Charter Township of Clayton**  
**Statement of Net Assets**  
**December 31, 2004**

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and equivalents	\$ 1,347,658	\$ 1,335,276	\$ 2,682,934
Investments	167,971	-	167,971
Receivables	336,432	180,407	516,839
Due from other governments	97,998	-	97,998
Internal balances	(74,092)	74,092	-
Capital assets (net of accumulated depreciation)	430,994	1,975,504	2,406,498
Total assets	<u>\$ 2,306,961</u>	<u>\$ 3,565,279</u>	<u>\$ 5,872,240</u>
<b>Liabilities and Net Assets</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 123,302	\$ 70,464	\$ 193,766
Accrued liabilities	5,028	-	5,028
Deposits payable	42,063	-	42,063
Due to other governments	-	14,650	14,650
Noncurrent liabilities:			
Due within one year	49,989	-	49,989
Due in more than one year	51,263	-	51,263
Total liabilities	<u>271,645</u>	<u>85,114</u>	<u>356,759</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	430,994	1,975,504	2,406,498
Restricted for:			
Special revenue	350,796	-	350,796
Unrestricted	1,253,526	1,504,661	2,758,187
Total net assets	<u>2,035,316</u>	<u>3,480,165</u>	<u>5,515,481</u>
Total liabilities and net assets	<u>\$ 2,306,961</u>	<u>\$ 3,565,279</u>	<u>\$ 5,872,240</u>

*See notes to financial statements.*



**Charter Township of Clayton  
Statement of Activities  
For the Year Ended December 31, 2004**

Functions\Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental activities:				
General government	\$ 439,687	\$ 115,847	\$ -	\$ -
Public safety	656,907	233,553	1,587	-
Public service	29,245	17,116	-	-
Sanitation	305,248	288,314	-	-
Interest on long-term debt	4,739	-	-	-
Total governmental activities	1,435,826	654,830	1,587	-
Business-type activities				
Water and sewer	510,015	539,324	-	837,502
Total business-type activities	510,015	539,324	-	837,502
Total primary government	\$ 1,945,841	\$ 1,194,154	\$ 1,587	\$ 837,502
 General revenues:				
Property taxes				
Sales tax - state share revenues				
Unrestricted investment earnings				
Gain on disposal of capital assets				
Transfers				
Total general revenues and transfers				
 Change in net assets				
Net assets - beginning				
<b>Net assets - ending</b>				

*See notes to financial statements.*

**Net (Expense) Revenue and Changes in Net Assets**

**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (323,840)	\$ -	\$ (323,840)
(421,767)	-	(421,767)
(12,129)	-	(12,129)
(16,934)	-	(16,934)
(4,739)	-	(4,739)
(779,409)	-	(779,409)
-	866,811	866,811
-	866,811	866,811
(779,409)	866,811	87,402
399,079	-	399,079
511,226	-	511,226
16,589	8,805	25,394
7,500	-	7,500
34,865	(34,865)	-
969,259	(26,060)	943,199
189,850	840,751	1,030,601
1,845,466	2,639,414	4,484,880
\$ 2,035,316	\$ 3,480,165	\$ 5,515,481

## **Fund Financial Statements**

**Charter Township of Clayton  
Balance Sheet  
Governmental Funds  
December 31, 2004**

	<b>General Fund</b>	<b>Police Fund</b>	<b>Sanitation Fund</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 997,309	\$ 138,803	\$ 193,398
Investments	167,971	-	-
Receivables (net, where applicable, of allowance for uncollectible amounts):			
Current taxes	100,860	95,448	-
Customer assessments	2,934	-	119,808
Due from other funds	10,089	-	-
Due from other governments	91,596	6,401	-
	<hr/>	<hr/>	<hr/>
Total assets	\$ 1,370,759	\$ 240,652	\$ 313,206
	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>			
Accounts payable	\$ 101,850	\$ 21,452	\$ -
Other accrued liabilities	1,451	3,577	-
Due to other funds	78,592	-	-
Deferred revenue	209,751	198,475	-
Deposits payable	42,063	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	433,707	223,504	-
	<hr/>	<hr/>	<hr/>
<b>Fund Balances</b>			
Reserved for debt service	-	-	-
Reserved for capital improvement	-	5,000	-
Unreserved reported in:			
General fund	937,052	-	-
Special revenue funds	-	12,148	313,206
Capital projects fund	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	937,052	17,148	313,206
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 1,370,759	\$ 240,652	\$ 313,206
	<hr/>	<hr/>	<hr/>

*See notes to financial statements.*

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 18,149	\$ 1,347,659
-	167,971
-	196,308
7,293	130,035
4,500	14,589
-	97,997
<u>\$ 29,942</u>	<u>\$ 1,954,559</u>
\$ -	\$ 123,302
-	5,028
-	78,592
-	408,226
-	42,063
<u>-</u>	<u>657,211</u>
4,500	4,500
-	5,000
-	937,052
25,442	350,796
-	-
<u>29,942</u>	<u>1,297,348</u>
<u>\$ 29,942</u>	<u>\$ 1,954,559</u>

**Charter Township of Clayton  
Reconciliation of the Fund Balance as Reported in the  
Governmental Balance Sheet to the Statement of Net Assets  
For the Year Ended December 31, 2004**

Total Governmental Funds Fund balance as reported in the Balance Sheet	
Governmental Funds	\$ 1,297,348
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	430,994
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	408,226
Long term liabilities, including long term notes payable, are not due and payable in the current period, and therefore, are not reported in the funds.	<u>(101,252)</u>
Net Assets - Governmental Activities	<u><u>\$ 2,035,316</u></u>

*See notes to financial statements.*

**Charter Township of Clayton**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2004**

	General Fund	Police Fund	Sanitation Fund
<b>Revenues</b>			
Taxes	\$ 171,678	\$ -	\$ -
Customer assessments	-	188,835	288,530
Licenses and permits	138,625	-	-
Intergovernmental - state	511,226	1,081	-
Charges for services	70,378	-	-
Interest	14,330	562	1,526
Miscellaneous	45,418	84,446	-
Total revenues	951,655	274,924	290,056
<b>Expenditures</b>			
Current:			
General government:			
Township board	139,479	-	-
Supervisor	79,806	-	-
Elections	17,108	-	-
Clerk	87,367	-	-
Treasurer	29,408	-	-
Township hall and grounds	44,220	-	-
Cemetery	7,687	-	-
Zoning board	3,658	-	-
Appeal board	2,815	-	-
Board of review	950	-	-
Public safety:			
Police	7,375	331,501	-
Fire	135,819	-	-
Building department	128,090	-	-
Public service	69,307	-	-
Sanitation	600	-	304,865
Debt service:			
Principal	48,748	-	-
Interest and fiscal charges	3,822	-	-
Capital outlay:			
General government	3,313	-	-
Public service	56,827	-	-
Public safety	-	-	-
Total expenditures	866,399	331,501	304,865
Excess (deficiency) of revenues over expenditures	85,256	(56,577)	(14,809)
<b>Other financing sources (uses)</b>			
Transfers in	-	62,000	-
Transfers out	(124,071)	-	-
Gain on sale of capital assets	-	-	-
Total other financing sources (uses)	(124,071)	62,000	-
Net change in fund balances	(38,815)	5,423	(14,809)
Fund balance at beginning of year	975,867	11,725	328,015
<b>Fund balance at end of year</b>	<b>\$ 937,052</b>	<b>\$ 17,148</b>	<b>\$ 313,206</b>

*See notes to financial statements.*

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 171,678
17,116	494,481
-	138,625
-	512,307
-	70,378
172	16,590
11,039	140,903
28,327	1,544,962

-	139,479
-	79,806
-	17,108
-	87,367
-	29,408
-	44,220
-	7,687
-	3,658
-	2,815
-	950
-	338,876
-	135,819
-	128,090
15,627	84,934
-	305,465
33,948	82,696
960	4,782
47,358	50,671
-	56,827
68,215	68,215
166,108	1,668,873
(137,781)	(123,911)
96,936	158,936
-	(124,071)
7,500	7,500
104,436	42,365
(33,345)	(81,546)
63,287	1,378,894
\$ 29,942	\$ 1,297,348



**Charter Township of Clayton  
Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of Governmental Funds  
To the Statement of Activities  
For the Year Ended December 31, 2004**

Amounts reported for governmental activities in the statement of activities (page 10)  
are different because:

Net Change in fund balances - total governmental funds (page 15)	\$	(81,546)
--	----	----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		150,140
--	--	---------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		38,560
--	--	--------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items		82,696
	\$	189,850

*See notes to financial statements.*

**Charter Township of Clayton  
Statement of Net Assets  
Proprietary Funds  
December 31, 2004**

**Assets**

Current assets:

Cash and cash equivalents	\$ 1,335,276
Receivables:	
Accounts	31,302
Unbilled utility charges	93,904
Delinquent fees	17,346
Tap-in contracts - current portion	3,637
Accrued interest	1,899
Due from other funds	<u>74,092</u>

Total current assets	<u>1,557,456</u>
----------------------	------------------

Property, plant, and equipment:

Utility systems	2,668,250
Less accumulated depreciation	<u>692,746</u>

Net property, plant, and equipment	<u>1,975,504</u>
------------------------------------	------------------

Other assets:

Tap-in contracts receivable - long-term portion	<u>32,319</u>
---	---------------

Total assets	<u><u>\$ 3,565,279</u></u>
--------------	----------------------------

**Liabilities and Fund Equity**

Current liabilities:

Accounts payable	\$ 70,464
Due to other governments	<u>14,650</u>

Total current liabilities	<u>85,114</u>
---------------------------	---------------

**Net Assets**

Invested in capital assets, net of related debt	1,975,504
Retained earnings	<u>1,504,661</u>

Total net assets	<u>3,480,165</u>
------------------	------------------

Total liabilities and net assets	<u><u>\$ 3,565,279</u></u>
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*See notes to financial statements.*

**Charter Township of Clayton**  
**Statements of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Business-Type Activities - Enterprise Fund**  
**For the Year Ended December 31, 2004**

<b>Operating revenues:</b>	
Sewer treatment fees	\$ 316,121
Water usage fees	212,132
Late charges/penalties	11,071
	<hr/>
Total operating revenues	539,324
	<hr/>
<b>Operating expenses:</b>	
Sewer treatment cost	200,744
Water usage cost	183,140
Computer billing	2,281
Rental of water and sewer systems	26,566
Hydrant expense	3,635
Pump station expense	25,708
Depreciation	27,653
Administration - salaries and fringe benefits	34,501
Professional fees	5,761
Supplies	26
	<hr/>
Total operating expenses	510,015
	<hr/>
Operating income	29,309
	<hr/>
<b>Non-operating revenues:</b>	
Approval fees	-
Interest on tap-in fees	2,418
Interest on investments	6,387
	<hr/>
Total non-operating revenues	8,805
	<hr/>
Income before contributions and transfers	38,114
	<hr/>
Transfers out	(34,865)
Capital contribution:	
West trunk	500,000
Tap prepayment	250,000
Other	87,502
	<hr/>
Change in net assets	840,751
	<hr/>
Net assets at beginning of year	2,639,414
	<hr/>
Net assets at end of year	\$ 3,480,165
	<hr/>

*See notes to financial statements.*

**Charter Township of Clayton**  
**Statement of Cash Flows**  
**Proprietary Fund Type - Water and Sewer Enterprise Fund**  
**For the Year Ended December 31, 2004**

<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 535,470
Cash payments to suppliers and employees	<u>(464,544)</u>
Net cash provided by operating activities	<u>70,926</u>
<b>Cash flows from noncapital financing activities:</b>	
Transfer to other funds	<u>(34,865)</u>
Net cash used in noncapital financing activities	<u>(34,865)</u>
<b>Cash flows from capital and related financing activities:</b>	
Capital contributions received	<u>844,366</u>
Net cash provided by capital and related financing activities	<u>844,366</u>
<b>Cash flows from investing activities:</b>	
Interest on investments	6,387
Interest on tap-ins	<u>2,324</u>
Net cash provided by investing activities	<u>8,711</u>
Net increase in cash and cash equivalents	889,138
Cash and cash equivalents - beginning of year	<u>446,138</u>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 1,335,276</u></b>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 29,309
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	27,653
Change in assets and liabilities:	
Increase in accounts receivable	(17,041)
Decrease in due from other funds	13,187
Increase in due to other governments	14,650
Increase in accounts payable	<u>3,168</u>
<b>Net cash provided by operating activities</b>	<b><u>\$ 70,926</u></b>

*See notes to financial statements.*

**Charter Township of Clayton  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
December 31, 2004**

**Assets**

Cash and cash equivalents	<u>\$ 1,774,306</u>
Total assets	<u><u>\$ 1,774,306</u></u>

**Liabilities**

Accounts payable	\$ 277
Due to other funds	10,089
Deposit payable	2,040
Tax collections unallocated	<u>1,761,900</u>
Total liabilities	<u><u>\$ 1,774,306</u></u>

*See notes to financial statements.*

## **Notes to Basic Financial Statements**

**Charter Township of Clayton**  
**Notes to Basic Financial Statements**  
**December 31, 2004**

**I. Summary of significant accounting policies**

**A. Reporting entity**

The Township of Clayton, Michigan elected Charter Township status in June 1978. The Charter Township of Clayton (Township) provides the following services as authorized by its charter: public safety (police, fire, and building inspections), highways and streets, sanitation, public improvements, recreation, planning, and general administrative services.

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The Township currently does not have any component units. The following organization is not included in the Township's annual report as a component unit, but rather is considered a joint venture.

Swartz Creek Area Fire Department:

- Represents a joint venture with the Charter Township of Clayton and the City of Swartz Creek and is financed primarily through contributions from the above municipalities.
- Serves the City of Swartz Creek in addition to the Charter Township of Clayton.

The Swartz Creek Area Fire Department has a December 31 year end. Audited financial statements of the fire department for the year ended December 31, 2004, are available for public inspection at department headquarters.

**B. Government-wide and fund financial statements**

During the year ended December 31, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The new standard requires government-wide and fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**Charter Township of Clayton**  
**Notes to Basic Financial Statements**  
**December 31, 2004**

**I. Summary of significant accounting policies - (continued)**

**B. Government-wide and fund financial statements – (continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, income taxes, licenses, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

The Solid Waste Fund is used to account for the customer charges which are to be used to pay contracted services for rubbish collection.

The Police Fund is used to account for the activities related to the Township policing their own community.



**Charter Township of Clayton**  
**Notes to Basic Financial Statements**  
**December 31, 2004**

**I. Summary of significant accounting policies - (continued)**

**C. Measurement focus, basis of accounting, and financial statement presentation – (continued)**

The Township reports the following major proprietary funds:

The Water Supply and Sewer Disposal System are separate funds maintained for the operations of the water distribution system and sewage pumping and collection system that transmit the sewage to Genesee County's treatment plant.

Additionally, the Township reports the following fund types:

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency Funds are report as fiduciary funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

**Charter Township of Clayton**  
**Notes to Basic Financial Statements**  
**December 31, 2004**

**I. Summary of significant accounting policies - (continued)**

**D. Assets, liabilities, and net assets or equity**

**1. Deposits and investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Township are reported at fair value. Certificates of deposit with a maturity date of greater than three months at time of purchase are recorded as investments on the financial statements.

**2. Receivables and payables**

In general, outstanding balance between funds are reported as "due to/from other funds", activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances to other funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade, notes, contracts and property tax receivables are shown net of an allowance for uncollectibles.

**3. Prepaid items**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. There were no prepaid items at December 31, 2004.

**4. Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two (2) years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with accounting principles generally accepted in the United States of America, recorded infrastructure assets include only those acquired during the fiscal year ended December 31, 2004. Prior to the implementation of GASB No. 34, records on these assets were not maintained. The Township has five years to retroactively determine costs and accumulated depreciation for infrastructure assets acquired prior to January 1, 2004 and record those assets on the financial statements.

**Charter Township of Clayton  
Notes to Basic Financial Statements  
December 31, 2004**

**I. Summary of significant accounting policies - (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

**4. Capital assets – (continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	50
Building improvements	20
Land improvements	20
Public infrastructure	50
Vehicles	5
Equipment	5

**5. Accumulated unpaid sick and vacation pay**

All full-time employees can accumulate sick days at a rate of five days per year. Vacation pay can be accumulated by full-time employees up to a maximum of three weeks, depending on years of service. Unused sick and vacation days cannot be carried forward.

**6. Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

**7. Fund equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**8. Property taxes**

The Township levies property taxes on December 1 each year, and are payable without penalty through February 28. These taxes become liens on the property at that date. However, the revenues generated by the tax levy cannot be appropriated until the budget year following the levy date. The asset created by the levy on December 1 is recorded in the appropriate fund as current taxes receivable. In addition, a deferred revenue offset account is recorded recognizing the funds as unavailable for current appropriation. Tax collections made from December 1 through December 31 in the current tax agency fund are recorded as unallocated tax collections. These monies are distributed to the appropriate funds in the ensuing budget year. Revenues generated by the levy of a 1% property tax administrative fee are recognized on a cash basis. Uncollected fees as of December 31, 2004, are recorded as a receivable with an offsetting deferred revenue account in the General Fund.

**Charter Township of Clayton**  
**Notes to Basic Financial Statements**  
**December 31, 2004**

**I. Summary of significant accounting policies - (continued)**

**D. Assets, liabilities, and net assets or equity – (continued)**

**8. Property taxes – (continued)**

Property taxes are levied based on assessed values of property located in the Township. Assessed values are established annually and taxable by the state at an estimated 50% of current market value. A comparison of assessed and taxable property values for the 2004 tax levy is as follows:

	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Factor</u>
Real property	\$ 235,251,215	\$ 195,738,404	
Personal property	<u>5,961,000</u>	<u>5,961,000</u>	
Total	<u>\$ 241,212,215</u>	<u>\$ 201,699,404</u>	<u>1.20</u>

The Township is permitted by charter to levy up to \$5.00 (5 mills) per \$1,000 of taxable value for general governmental services. For the year ended December 31, 2004, the Township levied 1.8912 mills. The Township is permitted to levy unlimited amounts for payment of full faith and credit general long-term obligations. There was no debt millage levied for the year ended December 31, 2004.

**II. Reconciliation of government-wide and fund financial statements**

**Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances -total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated use-full lives and reported as depreciation expense." The details of this difference are as follows:

Capital outlay	\$175,713
Depreciation expense	<u>(25,573)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$150,140</u>

**Charter Township of Clayton**  
**Notes to Basic Financial Statements**  
**December 31, 2004**

**III. Stewardship, compliance, and accountability**

**Budgetary information**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to November 1, the Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue Funds. Informational summaries of projected revenues and expenditures are provided for all other Township funds, as well as estimated total costs and proposed methods of financing all capital construction projects.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted on a departmental (activity) basis through passage of a resolution in accordance with Public Act 621 of the State of Michigan.
4. The Supervisor is authorized to transfer budgeted amounts within departmental appropriation accounts; however, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. The amount of encumbrances at year end is not known. Also, all budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. Budget appropriations lapse at year-end.

Budgeted amounts are reported on the financial statements as originally adopted and as amended by the Township Board.

**IV. Detailed notes on all funds**

**A. Deposits and investments**

The Township's deposits consist of checking and savings accounts and certificates of deposits. At year end, the carrying amount of the Township's deposits was \$3,832,184, excluding petty cash of \$550. The bank balance was \$3,870,576. The book balance was below the bank balance due to outstanding checks at year end. Of the bank balance \$3,567,899 or 92.18% was insured and \$302,677 or 7.82% was uninsured or uncollateralized.

State statutes authorize the Township to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchase obligations of the U.S. Government and U.S. agencies, banker's acceptances of U.S. banks, and mutual funds comprised of the above authorized investments. The Township Board has adopted the above as its investment policy, in addition, the Township Board has approved the following as authorized depositories: Citizens Bank, Bank One, Republic Bank, Key State Bank, Fifth Third Bank, MBIA, Standard Federal and Chemical Bank.

**Charter Township of Clayton**  
**Notes to Basic Financial Statements**  
**December 31, 2004**

**IV. Detailed notes on all funds – (continued)**

**A. Deposits and investments – (continued)**

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

At year end, the Township's categorized investment balances were as follows:

Investments not subject to categorization:

Mutual funds	<u>\$792,478</u>
Total investments	<u><u>\$ 792,478</u></u>

The Township's investments in government security mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Government</u>
Cash and cash equivalents	\$ 1,347,659	\$ 1,335,276	\$1,774,306	\$4,457,241
Investments	<u>167,971</u>	<u>-</u>	<u>-</u>	<u>167,971</u>
Total	<u><u>\$ 1,515,630</u></u>	<u><u>\$ 1,335,276</u></u>	<u><u>\$ 1,774,306</u></u>	<u><u>\$4,625,212</u></u>

The breakdown between deposits and investments is as follows:

	<u>Government</u>
Bank deposits (checking and savings accounts, certificates of deposits)	\$3,832,184
Investments in securities, mutual funds and similar vehicles	792,478
Petty cash and cash on hand	<u>550</u>
Total	<u><u>\$4,625,212</u></u>

**Charter Township of Clayton**  
**Notes to Basic Financial Statements**  
**December 31, 2004**

**IV. Detailed notes on all funds – (continued)**

**B. Receivables**

Receivables as of December 31, 2004 for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental activities and fiduciary funds:

	<u>General</u>	<u>Police</u>	<u>Sanitation</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$100,860	\$ 95,448	\$ -	\$ -	\$196,308
Customer assessments	2,934	-	119,808	7,293	130,035
Gross receivables	103,794	95,448	119,808	7,293	326,343
Less: allowance for uncollectibles	-	-	-	-	-
Net total receivables	<u>\$103,794</u>	<u>\$ 95,448</u>	<u>\$119,808</u>	<u>\$ 7,293</u>	<u>\$326,343</u>

Business-type activities:

	<u>Water and Sewer</u>
Receivables:	
Accounts	\$ 31,302
Unbilled utility charges	93,904
Delinquent fees	17,346
Accrued interest	1,899
Tap-in contracts	35,956
Gross receivables	180,407
Less: allowance for uncollectibles	-
Net total receivables	<u>\$180,407</u>

**C. Capital assets**

Capital asset activity for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 63,842	\$ -	\$ -	\$ 63,842
Total capital assets, not being depreciated	63,842	-	-	63,842

**Charter Township of Clayton**  
**Notes to Basic Financial Statements**  
**December 31, 2004**

**IV. Detailed notes on all funds – (continued)**

**C. Capital assets – (continued)**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities: – (continued)</b>				
Capital assets, being depreciated:				
Buildings	339,170	60,071	-	399,241
Building improvements	173,443	-	-	173,443
Land improvements	5,331	27,515	-	32,846
Public infrastructure	-	56,827	-	56,827
Vehicles	57,715	31,300	-	89,015
Equipment	25,000	-	-	25,000
Total capital assets being depreciated	600,659	175,713	-	776,372
Less accumulated depreciation for:				
Buildings	(209,437)	(2,647)	-	(212,084)
Building improvements	(132,337)	(2,610)	-	(134,947)
Land improvements	(5,331)	(1,376)	-	(6,707)
Public infrastructure	-	(1,137)	-	(1,137)
Vehicles	(11,542)	(17,803)	-	(29,345)
Equipment	(25,000)	-	-	(25,000)
Total accumulated depreciation	(383,647)	(25,573)	-	(409,220)
Total capital assets, being depreciated, net	217,012	150,140	-	367,152
Governmental activities capital assets, net	\$ 280,854	\$150,140	\$ -0-	\$430,994
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Sewer system	\$ 2,522,702	\$ -	\$ -	\$ 2,522,702
Water system	145,548	-	-	145,548
Total capital assets, being depreciated	2,668,250	-	-	2,668,250
Less accumulated depreciation for:				
Sewer system	(612,672)	(25,227)	-	(637,899)
Water system	(52,421)	(2,426)	-	(54,847)
Total accumulated depreciation	(665,093)	(27,653)	-	(692,746)
Total capital assets, being depreciated, net	2,003,157	(27,653)	-	1,975,504
Business-type activities capital assets, net	\$ 2,003,157	\$ (27,653)	\$ -0-	\$ 1,975,504



**Charter Township of Clayton**  
**Notes to Basic Financial Statements**  
**December 31, 2004**

**IV. Detailed notes on all funds – (continued)**

**C. Capital assets – (continued)**

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Current:

General government	\$ 3,986
Public safety	20,450
Public service	<u>1,137</u>

Total depreciation expense – governmental activities \$ 25,573

Business-type activities:

Sewer	\$ 25,227
Water	<u>2,426</u>

Total depreciation expense – business-type activities \$ 27,653

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances at December 31, 2004, is as follows:

Due to/from other funds:

<u>Receivable</u> <u>Fund</u>	<u>Payable</u> <u>Fund</u>	<u>Amount</u>
General	Trust and Agency	\$ 1,075
General	Tax	9,014
Water and Sewer	General	74,092
Debt Service	General	<u>4,500</u>
Total		<u>\$ 88,681</u>

	Transfer In			
	Police Fund	Capital Projects Fund	Debt Service Fund	Total
Transfer out:				
General fund	\$ 62,000	\$ 62,071	\$ -	\$124,071
Water and sewer fund	-	-	34,865	34,865
Total transfers out	\$ 62,000	\$ 62,071	\$ 34,865	\$158,936

**Charter Township of Clayton**  
**Notes to Basic Financial Statements**  
**December 31, 2004**

**IV. Detailed notes on all funds – (continued)**

**D. Interfund receivables, payables, and transfers – (continued)**

Transfers between funds were primarily for operating purposes. Other transfers were made to cover operating deficits or close funds.

**E. Long-term debt**

The Township was a participant in the county-wide sanitary sewer and water system construction program. This program was financed by general obligation bonds issued by Genesee County. The Township is obligated to assume the portion of the total debt for the construction of the systems within its boundaries. Significant details regarding the Township's obligations are as follows:

Bond and contractual obligation activity can be summarized as follows:

	General Obligation <u>Bonds</u>	Installment <u>Note</u>
Governmental Activities:		
Debt at January 1, 2004	\$ 33,951	\$150,000
New debt:		
Note payable	-	-
Principal payments made	<u>(33,951)</u>	<u>(48,748)</u>
Total governmental activities long-term debt at December 31, 2004	<u>\$ -0-</u>	<u>\$101,252</u>

A summary of bond transactions for the year ended December 31, 2004, and the composition of the December 31, 2004, long-term debt balance follows:

	Final Payment <u>Due</u>	Interest Rate or <u>Range</u>	Balance at December 31, <u>2003</u>	Retirements During <u>Year</u>	Balance at December 31, <u>2004</u>	Due Within <u>One Year</u>
Governmental Activities:						
Police Building - installment Purchase obligation	2006	2.55%	\$150,000	\$ (48,748)	\$101,252	\$ 49,989
Sanitary Sewer System #1	2004		9,723	(9,723)	-	-
Sanitary Sewer System #6 - South Section	2004		<u>24,228</u>	<u>(24,228)</u>	<u>-</u>	<u>-</u>
Total governmental activities			<u>\$183,951</u>	<u>\$ (82,699)</u>	<u>\$101,252</u>	<u>\$ 49,989</u>

**Charter Township of Clayton**  
**Notes to Basic Financial Statements**  
**December 31, 2004**

**IV. Detailed notes on all funds – (continued)**

**E. Long-term debt – (continued)**

Annual debt service requirements to maturity for the above obligations are as follows:

Year End December 31,	Governmental Activities	
	Principal	Interest
2005	\$ 49,989	\$ 2,580
2006	51,263	1,306
Total	<u>\$101,252</u>	<u>\$ 3,886</u>

Act 359, Public Acts of State 1947, as amended, provides that net indebtedness of townships cannot exceed 10% of the assessed real and personal property in the Township. As of December 31, 2004, the Charter Township of Clayton had not incurred any indebtedness which would be limited under Act 359. The Township's existing general long-term debt obligation contracts are specifically exempt from consideration in the 10% limit computation.

Act 99, Public Acts of State 1933, authorizes the Township using an installment purchase agreement. However, the contracts outstanding for the Township may not exceed 1.25% of the Township's taxable value. As of December 31, 2004, the Charter Township of Clayton had the following legal debt margin for installment purchase agreements:

Total taxable valuation	<u>\$201,699,404</u>
Debt limit – 1.25 percent of total taxable valuation	\$252,124,255
Amount of debt applicable to debt limit	<u>101,252</u>
Unused debt limitation	<u>\$252,023,003</u>

**V. Other information**

**A. Retirement plan**

The Township has a single employer defined contribution pension plan administered by Manufacturer's Life Insurance Company, covering substantially all full-time employees. Ten percent of projected base wages plus administrative costs is contributed to the plan by the Township at the beginning of the year. The employee also has the option of contributing an additional ten percent. The Township's policy is to fund pension costs accrued on an annual basis. Employer contributions for the year were \$24,956. No employee contributions were made. The pension, as established, does not recognize prior service costs, as it is based exclusively on current compensation earned by participants.

**Charter Township of Clayton**  
**Notes to Basic Financial Statements**  
**December 31, 2004**

**V. Other information – (continued)**

**B. Joint ventures**

**Swartz Creek Area Fire Department:**

In April 1980, the Charter Township of Clayton entered into a joint venture with the City of Swartz Creek to create the Swartz Creek Area Fire Department. The purpose of this joint venture was to obtain adequate fire protection for residents of the Township. The agreement calls for the quarterly accumulation of expenditures and then billing to each participating governmental unit on the basis of fire runs. The agreement provides the Charter Township of Clayton a half interest in the vehicles, offices, and operating equipment maintained by the Swartz Creek Area Fire Department. The Swartz Creek Area Fire Department submits each governmental unit's share of the annual operating budget before their respective governing boards for approval.

	<u>Year Ended</u> <u>December 31, 2004</u>
Total assets	\$ 28,424
Total liabilities	13,079
Total fund equity	15,345
Total revenues	272,920
Total expenditures	258,665

**C. Contingent liabilities**

The Township participates in a number of federal and state assisted grant programs, principal of which is Community Development Block Grants (CDBG). These programs are subject to program compliance audits. In accordance with the Single Audit Act, a single audit was not required since the Township expended less than \$500,000 in federal funds. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

**D. Risk management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township has purchased commercial insurance for these claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**E. Stewardship, compliance, and accountability**

The following individual funds incurred expenditures in excess of appropriations:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Over</u> <u>Budget</u>
Major Governmental Fund:			
Police	\$323,679	\$331,501	\$ 7,822

**Charter Township of Clayton**  
**Notes to Basic Financial Statements**  
**December 31, 2004**

**V. Other information – (continued)**

**F. Construction code revenue/expenditures**

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees collected must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund if the expenditures would normally exceed the revenues. The Township chose the latter because historically, the expenditures have exceeded revenues. The activity related to construction code activity for the year ended December 31, 2004 is as follows:

Beginning reserved fund balance	<u>\$ 6,729</u>
Total revenue	106,340
Less: expenditures:	<u>115,713</u>
Excess revenues under expenditures	<u>(9,373)</u>
Ending reserved fund balance	<u><u>\$ (2,644)</u></u>

## **Required Supplementary Information**

**Charter Township of Clayton**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget to Actual**  
**For the Year Ended December 31, 2004**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget -</b>
				<b>Under</b>
				<b>(Over)</b>
<b>Revenues</b>				
Taxes	\$ 183,860	\$ 183,860	\$ 171,678	\$ (12,182)
Licenses and permits	77,050	133,459	138,625	5,166
Intergovernmental - state	562,000	521,494	511,226	(10,268)
Charges for services	47,386	53,332	70,378	17,046
Interest	10,000	12,490	14,330	1,840
Miscellaneous	40,000	40,000	45,418	5,418
Total revenues	920,296	944,635	951,655	7,020
<b>Expenditures</b>				
Current:				
General government:				
Township Board	141,585	141,585	139,479	2,106
Supervisor	80,260	80,260	79,806	454
Elections	17,500	17,500	17,108	392
Clerk	82,085	88,485	87,367	1,118
Treasurer	31,300	31,300	29,408	1,892
Township hall and grounds	38,550	45,400	44,220	1,180
Cemetery	8,200	8,200	7,687	513
Zoning Board	12,250	12,250	3,658	8,592
Appeal Board	2,250	2,950	2,815	135
Board of Review	1,850	1,850	950	900
Public safety:				
Police	7,500	7,500	7,375	125
Fire	138,150	138,150	135,819	2,331
Building department	97,000	144,630	128,090	16,540
Public service	114,067	74,092	69,307	4,785
Sanitation	600	600	600	-
Debt service:				
Principal	49,178	49,178	48,748	430
Interest and fiscal charges	3,822	3,822	3,822	-
Capital outlay:				
General government	3,320	3,320	3,313	7
Public service	57,000	57,000	56,827	173
Total expenditures	886,467	908,072	866,399	41,673
Excess of revenues over expenditures	33,829	36,563	85,256	48,693
<b>Other financing uses</b>				
Transfers out	(33,829)	(122,192)	(124,071)	(1,879)
Total other financing uses	(33,829)	(122,192)	(124,071)	(1,879)
Net change in fund balance	-	(85,629)	(38,815)	46,814
Fund balance at beginning of year	975,867	975,867	975,867	-
Fund balance at end of year	\$ 975,867	\$ 890,238	\$ 937,052	\$ 46,814

Note: The budget basis is the same as generally accepted accounting principles.

**Charter Township of Clayton**  
**Police Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2004**

<b>Police Fund</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Under (Over)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 187,223	\$ 187,223	\$ 188,835	\$ 1,612
Intergovernmental - state	700	1,081	1,081	-
Interest	500	600	562	(38)
Miscellaneous	25,980	72,775	84,446	11,671
Total revenues	214,403	261,679	274,924	13,245
<b>Expenditures</b>				
Current:				
Public safety	248,232	323,679	331,501	(7,822)
Total expenditures	248,232	323,679	331,501	(7,822)
Excess (deficiency) of revenues over expenditures	(33,829)	(62,000)	(56,577)	5,423
<b>Other financing sources</b>				
Transfers in	33,829	62,000	62,000	-
Net change in fund balance	-	-	5,423	5,423
Fund balance at beginning of year	11,725	11,725	11,725	-
<b>Fund balance at end of year</b>	<b>\$ 11,725</b>	<b>\$ 11,725</b>	<b>\$ 17,148</b>	<b>\$ 5,423</b>

Note: The budget basis is the same as generally accepted accounting principles.



**Charter Township of Clayton**  
**Sanitation Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended December 31, 2004**

<b>Sanitation Fund</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Under (Over)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Customer assessments	\$ 287,400	\$ 287,400	\$ 288,530	\$ 1,130
Interest	10,000	10,000	1,526	(8,474)
Total revenues	297,400	297,400	290,056	(7,344)
<b>Expenditures</b>				
Current:				
Sanitation	306,109	306,109	304,865	1,244
Total expenditures	306,109	306,109	304,865	1,244
Net change in fund balance	(8,709)	(8,709)	(14,809)	(6,100)
Fund balance at beginning of year	328,015	328,015	328,015	-
<b>Fund balance at end of year</b>	<b>\$ 319,306</b>	<b>\$ 319,306</b>	<b>\$ 313,206</b>	<b>\$ (6,100)</b>

Note: The budget basis is the same as generally accepted accounting principles.

## **Supplemental Section**

**Charter Township of Vienna  
Nonmajor Governmental Funds  
Summary Descriptions  
December 31, 2004**

The Township reports the following nonmajor governmental funds:

**Special Revenue Funds:**

Lights – This fund is used to account for revenues earned and expenditures incurred by the Township for lighting the district.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Capital Project Fund:**

Capital Projects Fund – This fund is used to account for financial resources used for the construction of major capital improvements.

**Charter Township of Clayton  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2004**

	<u>Special Revenue Lighting Districts</u>	<u>Debt Service</u>	<u>Capital Projects Revolving &amp; Improvements</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 18,149	\$ -	\$ -	\$ 18,149
Receivables:				
Customer assessments	7,293	-	-	7,293
Due from other funds	-	4,500	-	4,500
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 25,442	\$ 4,500	\$ - 0 -	\$ 29,942
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Liabilities</b>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund balances</b>				
Unreserved:				
Designated for lighting districts	25,442	-	-	25,442
Designated for debt service	-	4,500	-	4,500
Designated for capital projects	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	25,442	4,500	-	29,942
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	\$ 25,442	\$ 4,500	\$ - 0 -	\$ 29,942
	<hr/>	<hr/>	<hr/>	<hr/>

**Charter Township of Clayton**  
**Combining Statement of Revenues, Expenditures,**  
**And Changes in Fund Balance**  
**Nonmajor Governmental Funds**  
**For the Year Ended December 31, 2004**

	<u>Special Revenue Lighting Districts</u>	<u>Debt Service</u>	<u>Capital Projects Revolving &amp; Improvements</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>				
Customer assessments	\$ 17,116	\$ -	\$ -	\$ 17,116
Interest	172	-	-	172
Miscellaneous	-	-	11,039	11,039
Total revenues	17,288	-	11,039	28,327
<b>Expenditures</b>				
Current:				
Public service	15,627	-	-	15,627
Debt service:				
Principal retirement	-	33,948	-	33,948
Interest and fiscal charges	-	917	43	960
Capital outlay:				
General government	-	-	47,358	47,358
Public safety	-	-	68,215	68,215
Total expenditures	15,627	34,865	115,616	166,108
Excess (deficiency) of revenues over expenditures	1,661	(34,865)	(104,577)	(137,781)
<b>Other financing sources</b>				
Transfers in	-	34,865	62,071	96,936
Gain on sale of capital assets	-	-	7,500	7,500
Total other financing sources	-	34,865	69,571	104,436
Net change in fund balances	1,661	-	(35,006)	(33,345)
Fund balance at beginning of year	23,781	4,500	35,006	63,287
<b>Fund balance at end of year</b>	<b>\$ 25,442</b>	<b>\$ 4,500</b>	<b>\$ - 0 -</b>	<b>\$ 29,942</b>

**Charter Township of Clayton**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Special Revenue Funds**  
**Year Ended December 31, 2004**

<b>Lighting Districts</b>			
	<b>Budgeted Amounts</b>		<b>Variance with Final Budget - Under (Over)</b>
	<b>Original</b>	<b>Final</b>	
<b>Revenues</b>			
Customer assessments	\$ 17,011	\$ 17,011	\$ 17,116
Interest	135	135	172
			105
			37
Total revenues	17,146	17,146	17,288
			142
<b>Expenditures</b>			
Current:			
Public service	16,599	16,599	15,627
			972
Total expenditures	16,599	16,599	15,627
			972
Net change in fund balances	547	547	1,661
			1,114
Fund balance at beginning of year	23,781	23,781	23,781
			-
<b>Fund balance at end of year</b>	<b>\$ 24,328</b>	<b>\$ 24,328</b>	<b>\$ 25,442</b>
			<b>\$ 1,114</b>

**Charter Township of Clayton  
Combining Balance Sheet  
Fiduciary Funds  
December 31, 2004**

	<b>Current Tax Fund</b>	<b>General Agency</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,771,191	\$ 3,115	\$ 1,774,306
Total assets	<u>\$ 1,771,191</u>	<u>\$ 3,115</u>	<u>\$ 1,774,306</u>
<b>Liabilities</b>			
Accounts payable	\$ 277	\$ -	\$ 277
Due to other funds	9,014	1,075	10,089
Deposit payable	-	2,040	2,040
Tax collections unallocated	1,761,900	-	1,761,900
Total liabilities	<u>\$ 1,771,191</u>	<u>\$ 3,115</u>	<u>\$ 1,774,306</u>

**Charter Township of Clayton**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**Year Ended December 31, 2004**

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
<b><u>Current Tax Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 1,660,547	\$ 7,154,954	\$ 7,044,310	\$ 1,771,191
Total assets	\$ 1,660,547	\$ 7,154,954	\$ 7,044,310	\$ 1,771,191
<b>Liabilities</b>				
Accounts payable	\$ 277	\$ 8,398,991	\$ 8,398,991	\$ 277
Due to other funds	13,104	4,507	8,597	9,014
Tax collections unallocated	1,647,166	5,802,346	5,687,612	1,761,900
Total liabilities	\$ 1,660,547	\$ 14,205,844	\$ 14,095,200	\$ 1,771,191
<b><u>General Agency Fund</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 3,115	\$ 11,898	\$ 11,898	\$ 3,115
Total assets	\$ 3,115	\$ 11,898	\$ 11,898	\$ 3,115
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 11,898	\$ 11,898	\$ -
Due to other funds	1,075	1,983	1,983	1,075
Due to other governments	-	10,561	10,561	-
Deposit payable	2,040	-	-	2,040
Total liabilities	\$ 3,115	\$ 24,442	\$ 24,442	\$ 3,115
<b><u>Total All Agency Funds</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 1,663,662	\$ 7,166,852	\$ 7,056,208	\$ 1,774,306
Total assets	\$ 1,663,662	\$ 7,166,852	\$ 7,056,208	\$ 1,774,306
<b>Liabilities</b>				
Accounts payable	\$ 277	\$ 8,410,889	\$ 8,410,889	\$ 277
Due to other funds	14,179	6,490	10,580	10,089
Due to other governments	-	10,561	10,561	-
Deposit payable	2,040	-	-	2,040
Tax collections unallocated	1,647,166	5,802,346	5,687,612	1,761,900
Total liabilities	\$ 1,663,662	\$ 14,230,286	\$ 14,119,642	\$ 1,774,306